



Richard D. Brown
Director

COMMONWEALTH of VIRGINIA
Department of Planning and Budget

200 N. Ninth St., Room 418
Richmond, VA. 23219

May 6, 2003

TO: Heads of All State Agencies
Budget Officers of All State Agencies

FROM: Richard D. Brown
Director

SUBJECT: Instructions for Fiscal Year 2003 Closing
Fiscal Year 2004 Start-up

The following **budget execution** instructions provide information on closing actions for fiscal year 2003 and on procedures for starting up fiscal year 2004. These instructions address both the operating and capital budgets. The State Comptroller will send you detailed **accounting** procedures for the yearend close.

If you encounter any problems or need specific advice or assistance, please contact your budget analyst.

Please note the following highlights:

Deficits

Your analysis and monitoring of expenditures against cash, allotments, and appropriations are important to avoid incurring a deficit at the close of the fiscal year on June 30, 2003. Section 4-3.00 of the General Provisions of Chapter 1042 (2003 Appropriation Act) prohibits state agencies from incurring deficits, except under limited conditions. A deficit means the obligation or expenditure of funds greater than appropriations. For nongeneral funds, it means spending in excess of the revenues collected. The State Comptroller reserves the right to delete any transaction that fails to meet CARS cash, appropriation, or allotment criteria.

It is important that you alert the Department of Planning and Budget (DPB) before June 9 if you anticipate a problem in closing the year. Do not wait until the yearend close is underway.

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**State agency indebtedness:
Notification required by §4-3.01 of the General Provisions**

As required by the Appropriation Act, I call your attention to §4-3.01 of the 2003 Appropriation Act with regard to state agency indebtedness. A copy of that section is in Appendix A. It applies to all state agencies in the legislative, judicial, and executive branches, and to the independent agencies.

Section 4-3.01 of the 2003 Appropriation Act prohibits an agency from obligating or expending funds in excess of appropriations, or obligating or expending at a rate which would result in expenditures in excess of appropriations, without prior approval by the Governor. It also sets out the penalties for violations.

The notification requirement of §4-3.01 is not new. However, DPB is required to bring it to the attention of the state agencies prior to the effective date of the Appropriation Act.

Please acknowledge receipt of this notification by completing the form found in Appendix A and returning it to the Department of Planning and Budget by June 16, 2003. A signed form is required from the Cabinet Secretaries and all agency heads in the legislative, judicial, and executive branches and the independent agencies. The personal signature of the Cabinet Secretary or agency head on the form is required.

NOTE

If the head of the agency or Governor's Secretary executed the notification form last year for the year ended June 30, 2002, and the agency head or Secretary has not changed since last year, execution of the notification form is not required this year. If the agency head or Secretary has changed, please submit the notification form.

You should not assume that expenditures in excess of appropriations will be met from unappropriated nongeneral funds, by transfers from other current appropriations, or from appropriation of a prior year unexpended balance. Each agency request for an appropriation allotment or any other action which requires executive approval will be treated, in the absence of any specific statement to the contrary, as your representation that approval of the request will neither directly nor indirectly create a deficit.

The heads of agencies with governing boards should provide each board member with a copy of this notice and of §4-3.01. The governing boards are those specified as supervisory boards in §2.2-2100, Code of Virginia. Agency heads are also requested to provide the material to any board members and fiscal officers who may be appointed in the future.

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FY 2003 yearend close and FY 2004 startup

Important dates:

Monday, June 9, 5:00 p.m. Final FATS transactions for FY 2003 due to DPB
FATS closes to agencies for FY 2003

Wednesday, June 11 FATS becomes available for FY 2004 transactions

DPB will create initial appropriations and allotments for FY 2004 and transmit them to CARS, to be available July 1, with the exception of certain appropriations listed in Appendix C.

Reappropriation of FY 2003 general fund operating expense appropriations

It is expected that DPB will complete reappropriation actions in November. DPB will prepare the FATS transactions for this purpose. Agencies may be asked to submit a plan of expenditure for any June 30, 2003, general fund balances prior to execution of the FATS transactions. If plans are requested, supplemental instructions will be sent to agencies during the review of reappropriation requests. Once DPB processes the FATS transactions to reappropriate June 30, 2003, general fund balances, agencies may subsequently need to submit Form 27 requests to spread the approved reappropriations among their various programs and subprograms.

Appropriation of FY 2003 nongeneral fund cash balances

Agencies may be asked to complete a plan of expenditure for any June 30, 2003, nongeneral fund cash balances prior to submission of FATS transactions. Once these plans have been approved, agencies will be instructed to prepare FATS transactions to appropriate (to the extent necessary) and spread these amounts to the appropriate programs and subprograms.

Recovery subobject codes

Use of recovery codes xx98 and xx99 must be consistent with the "Procedures for Identifying and Accounting for Transactions between State Agencies and Institutions" which were issued jointly by DPB and the Department of Accounts (DOA) on May 20, 1998. If your agency plans to use these codes and DPB has not previously approved the use of the recovery code, permission must be requested by June 6, 2003. See Appendix G for more details including a list of agency approved recovery codes.

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Some agencies have been using recovery subobject codes without DPB approval. DPB analysts will be contacting these agencies requesting that the appropriate forms be submitted by June 6.

Reappropriation of capital projects

Approximately August 8, DPB will bring forward into FY 2004 current capital project appropriations in PROBUD as of June 30, 2003. In conjunction with this action, DPB requires agencies to report in June on the status of all capital outlay projects. The purpose of this exercise is to identify appropriation balances that must be brought forward and to monitor agency progress toward completing funded projects. Instructions for conducting this review are found beginning on page 10 of the attached instructions. Your package is due to DPB **no later than June 13, 2003**. This submission will be made electronically.

FY 2004 Higher Education Equipment Trust Fund lease payments

The Appropriation Act provides funding to support debt service on equipment purchased through the Virginia College Building Authority's (VCBA) Higher Education Equipment Trust Fund. As has been the case since fiscal year 2000, the general and nongeneral fund appropriations are included within the Treasury Board budget instead of within the budgets of each institution of higher education. This allows the Commonwealth to consolidate debt service on tax-supported debt (i.e. debt supported primarily from the general fund) in one central location within the Treasury Board.

Since the general fund appropriation is now included as part of the Treasury Board budget, the Treasury Board makes the debt service payment to the VCBA directly. However, the nongeneral fund portion of the payment cannot be made to the VCBA until funds are transferred from each institution to support the nongeneral fund appropriation authority provided in Chapter 1042, the 2003 Appropriation Act. Therefore, the Department of Accounts will take action on or about July 1 to transfer the appropriate cash amount for all institutions from balances in fund code 0300 (higher education operating).

No action will be necessary on the part of the institutions for payment of debt service associated with the Higher Education Equipment Trust Fund. See Appendix E for a list of the amounts by institution.

FY 2004 Out-of-State Capital Fee

Item 296, Paragraph C.7, of the Appropriation Act requires institutions of higher education to contribute \$2.0 million from a capital fee charged to out-of-state students for debt service payments on bonds issued under the 21st Century Program. Debt service payments for the 21st Century Program are due on August 1 and February 1 of each year. To give the institutions as much time as possible to collect the capital fee from out-of-state students, the entire amount for each institution will be transferred to the Department of the Treasury at the end of January each year – in time for the February payment. Therefore, the Department of Accounts will take action on or about January 31 to transfer the designated cash amount listed in Item 296, Paragraph C.7, from all institutions from balances in fund code 0300 (higher education operating).

No action will be necessary on the part of the institutions for payment of debt service associated with the 21st Century Program. See Appendix F for a list of the amounts by institution.

New capital projects

DPB will create initial appropriations for new FY 2004 capital projects. All dollars for these projects will be initially **unallotted**. Each affected agency must submit an E&B Form CO-2 to the Department of General Services to initiate the project. After the CO-2 has been approved, you may submit a FATS request to DPB to allot dollars based upon the status of the project.

FY 2004 central appropriations and nongeneral fund cash transfers

DPB will notify agencies of central appropriation adjustments and selected nongeneral fund cash transfers required by Part 3 of the 2003 Appropriation Act sometime during the first quarter of the fiscal year. Appendix B provides a summary of these central appropriations and selected nongeneral fund cash transfers for FY 2004.

Subobject codes

A revised Expenditure Structure containing a complete list of subobject codes in effect for FY 2004 will be available effective June 3, 2003, on DPB's web site at the following link: <http://www.dpb.state.va.us/forms/Forms.cfm>. <http://www.dpb.state.va.us/forms/Forms.cfm> (*Search for Expenditure Structure.*) Changes during the current fiscal year are highlighted. DPB is currently reviewing specific subobject codes and definitions for information technology.

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A variety of new codes has been established since July 2002. Changes include: codes to record salary and wage costs for information technology employees (effective January 1, 2003); record workforce transition act related expenses (effective July 1, 2002); and record expenses for the new active military supplement authorized by Governor Warner in Executive Order 44 (2003) (effective March 26, 2003).

Attachment

c: Governor's Secretaries
Mr. David A. Von Moll, State Comptroller
Mr. D. B. Smit, Director, Department of General Services
Mr. O. Gene Dishner, Director, Department of Mines, Minerals and Energy